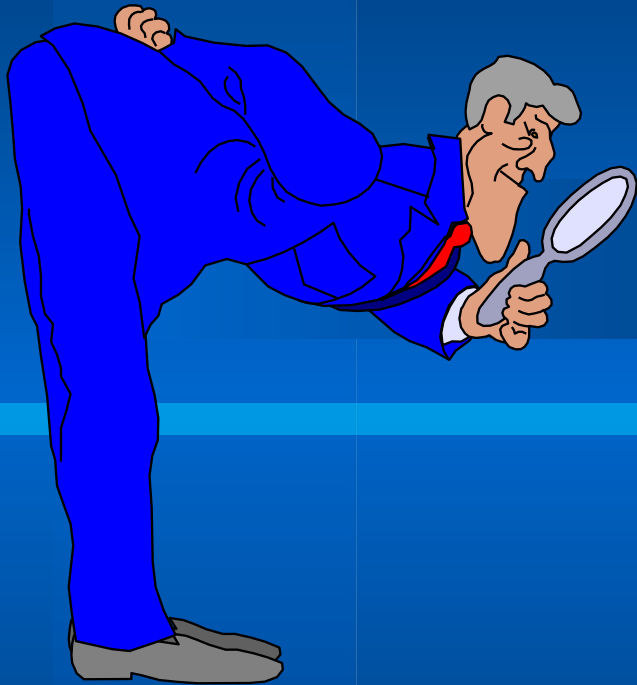


Purchase Card Abuse/Fraud Detection



CDR Cheryl Upton
DOD Purchase Card
Program Management
Office

Fraud Detection Overview



- * History/Background
- * Operation Mongoose Overview
 - Authority
 - Direction
 - Network
 - Purpose
 - Detection
 - Process
 - Services Provided
 - Benefits
 - Areas Selected
- * Progress To Date
 - Phase 1
 - Phase 2
- * Lessons Learned
- * Future

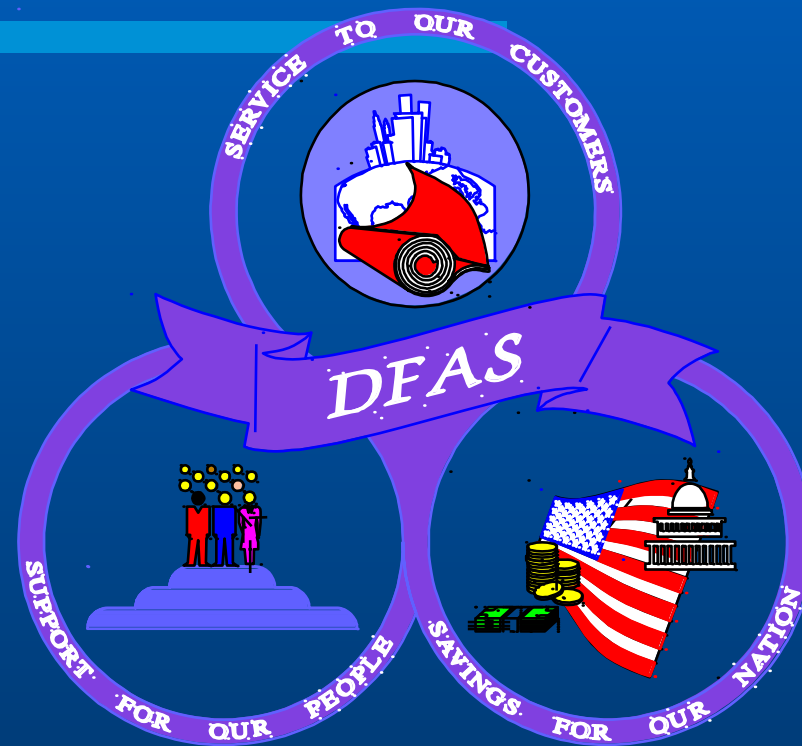
History/Background

- **Card > 10 years**
- **Partnered with Operation Mongoose**
 - **Joint Report of the FMT & PCIPT (9/30/96)**
- **First Pilot - Fall 1998**

Operation Mongoose

Overview

1996
*Hammer
Award
Winner*



Update
As of March 31, 1999

Operation Mongoose Authority

1994

On June 30th, the Under Secretary of Defense (Comptroller) Approved the Establishment of a Joint Fraud Detection and Prevention Operation.

Focus Group

DMDC

DFAS

DoDI

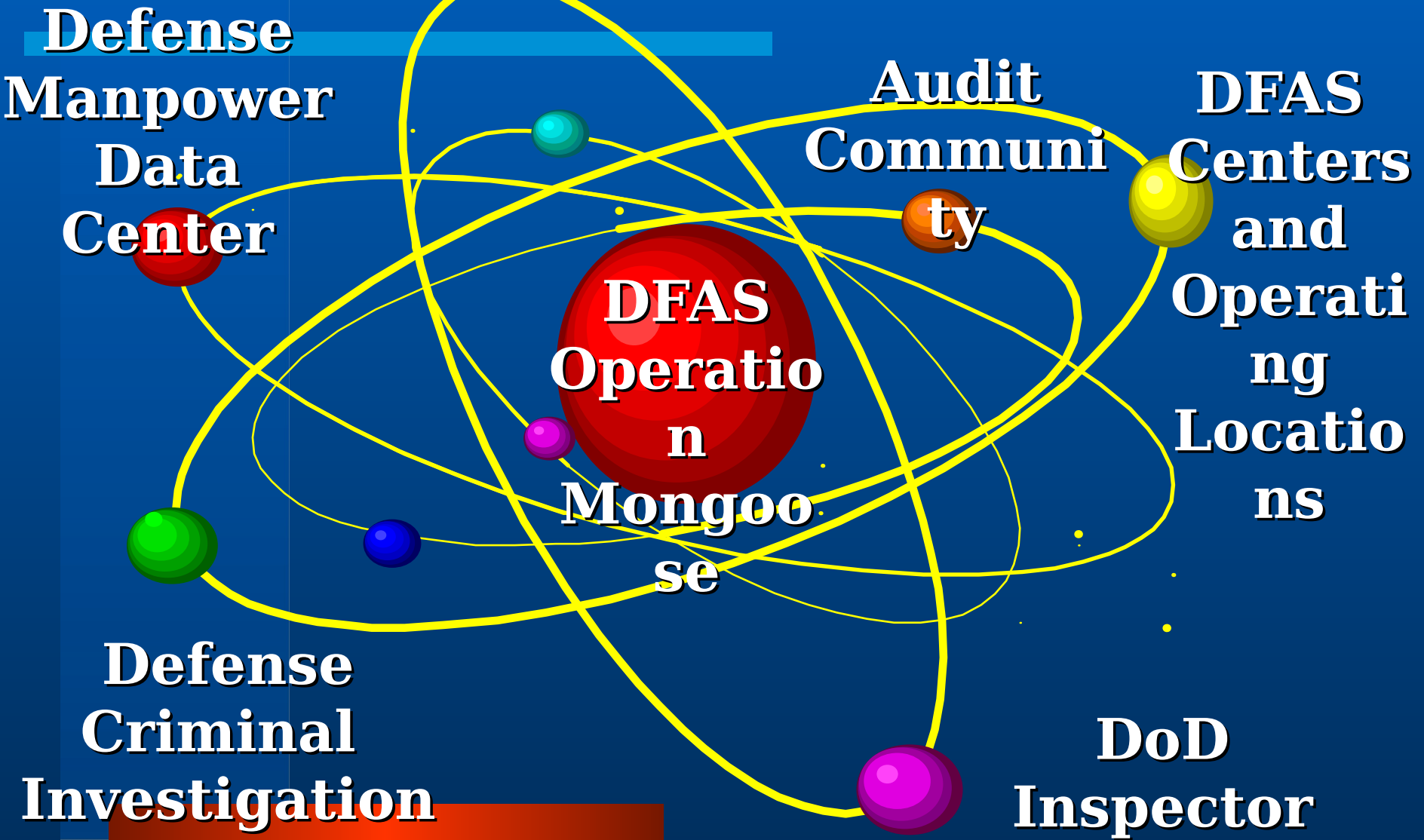


***DFAS Determines the Direction of
Operation Mongoose Based on
Input from a Focus Group
Comprised of Representatives from***

DFAS DMDC J4 D-DC

Operation Mongoose

DoD Network

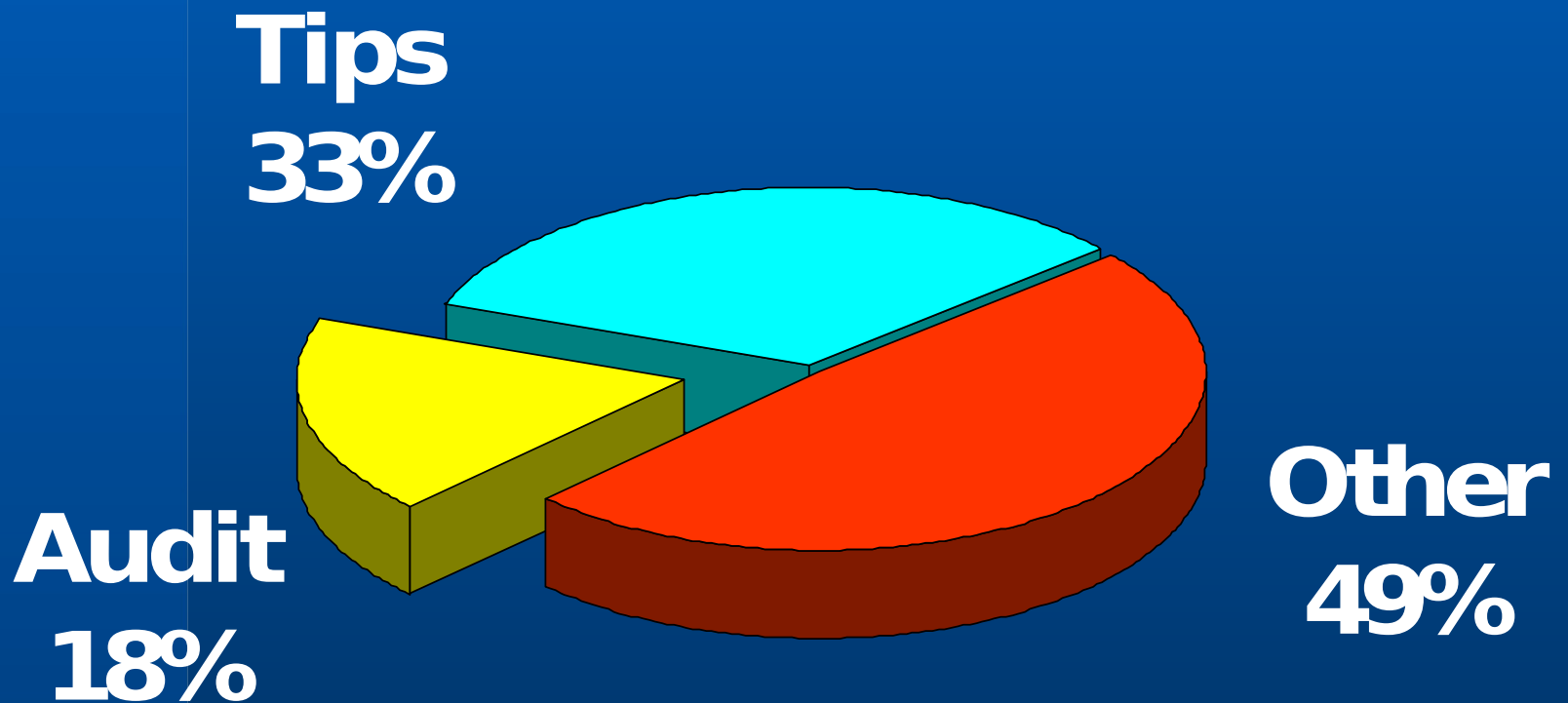


Operation Mongoose

Purpose

- **Develop and Operate an Active Fraud Detection ...**
 - Operation Mongoose Process.
 - Ad Hoc Requests.
 - Use Enhanced Technology.
- **... and Prevention Unit to Minimize Fraudulent attack against DoD Financial Assets.**
 - **Strengthen** Internal Controls.
 - **Improve** Business Processes.
 - **Promote** Fraud Awareness.

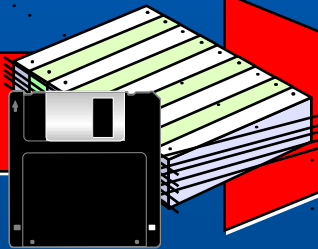
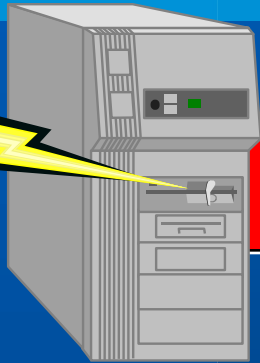
How Fraud Is Detected



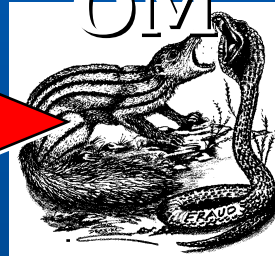
Source: Association of Certified Fraud Examiners

Operation Mongoose Process

DMDC



**DFAS
OM**



*Suspected
Fraud*

**DoDIG
/DCIS
and**

Feedback **MCIOs**

**OM
Field
Team**



**Center
or
OpLoc**

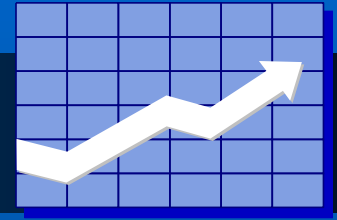




Ad Hoc Requests

- **Normally Originate with a Request for Information from an Investigative Organization.**
- **Primarily Focus on Suspected Fraud.**
 - Assist Investigations of Suspected Fraud.
 - Use Knowledge Gained from Participation in Actual Fraud Cases to Develop and Refine Fraud Indicators.
- **Will Support to the Fullest Extent Possible.**

Intangible Benefits



- **Fraud Deterrence.**
 - Strengthen Internal Controls.
 - Improve the Business Process.
 - Promote Fraud Awareness.
 - **Use of Enhanced Technology.**
 - Data Mining.
 - Remote Access to DFAS Payment Databases.
 - Operation Mongoose Tracking System (OMTS).
- Prevention Measures*

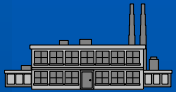
Strengthen Internal Controls and Improve the Business Process

- **Mongoose Referrals May Result in Material Findings.**
 - Refer Suspected Fraud to Investigators.
 - Document Internal Control Weaknesses.
 - Operational Offices Can Initiate Collection Action.
 - Operational Offices Can Implement Procedural or System Changes to the Business Process.
- **Produce Additional Mongoose Referrals.**
 - Findings Should Be Drastically Reduced.
 - Repeat Process if Findings are Material.

Promote Fraud Awareness

- **Mongoose Presence During On-Site Reviews.**
- **Wide-Spread Use of Mongoose Referrals by DFAS Centers.**
- **Conduct Aggressive Marketing.**
 - **Publish Articles.**
 - **Publicize Cases.**
 - **Presence at Professional and Technical Conferences.**
 - **Cardholder Statement inserts**

Areas Selected for Fraud Detection



Vendor Pay



Transportation Pay



Military Pay



Retired/Annuitant

Pay



Civilian Pay

Operation Mongoose

The Bottom Line for

Success

- **Build and Maintain Cost-Effective Internal Controls into Business Processes.**
- **Develop and Implement a Strong Fraud Prevention and Detection Program.**
- **Increase Fraud Awareness among Employees.**
- **Use Lessons Learned from Actual Frauds**

Adds Up to a Sound Strategy to Reduce Fraud

Progress To Date

- **Pilot - Phase 1 -**
 - **4M Transactions (Jan - Jun 98)**
 - **1400 Transactions Suspect**
 - **202 Selected Transactions**
 - **15 Fraud/Mis-Use**
 - **65 Miscoded**
 - **107 Authorized/Proper**
 - **15 No response**

Progress To Date - Cont

- **Pilot - Phase 2**

- **4 M Transactions (Jul 98 - Feb 99)**
- **86 transactions selected**
 - **Field Research (4 - 5 locations)**
 - **19 Invalid MCCs**
 - **20 Invalid Trans - All disputed/resolved**
 - **41 Valid Transactions**
 - **5 Cash Trans - not actually cash**
 - **1 Two businesses/One machine**
- **Additional Validation Requests**

Lessons Learned

- **Invalid MCCs**
- **Mis-Use not always evident**
- **Internal Controls *Extremely* Important**
 - **Placing Accountability with Empowerment**
 - **The CH and AO/Certifying Officer Relationship is key here**
 - **Positive Controls must be in place**

Future

- **Fraud Modeling**
- **Data Mining**

Questions ??

- **CDR Cheryl Upton**
 - **uptonc@sarda.army.mil**
 - **703-681-3314 (DSN 761)**